

<b>FORM</b> <b>N-103</b> (REV. 1998)	<b>SALE OF YOUR HOME</b> ATTACH TO FORM N-11, N-12, OR N-15. <b>PLEASE PRINT OR TYPE</b>	<b>1998</b>
Name(s) as shown on tax return		Social Security Number

**Part I General Information**

1 Date your former main home was sold (month, day, year).....	
2 Was any part of your main home rented out or used for business? (If "Yes," see Instructions).....	<input type="checkbox"/> Yes <input type="checkbox"/> No
3 Was your former residence purchased with funds from an Individual Housing Account? .....	<input type="checkbox"/> Yes <input type="checkbox"/> No
(If "Yes," go to line 4; if "No," go to line 8.)	
4 When was your former residence purchased? (month, day, year) .....	
5 Amount of distribution from your Individual Housing Account used to purchase your former home. ....	<b>5</b>
6 Amount of line 5 not previously reported. (See Instructions.) If line 6 is zero, go to line 8. If line 6 is more than zero, include this amount on Form N-11, line 10, Form N-12, line 18, or Form N-15, line 19, and go to line 7.....	<b>6</b>
7 Enter 10% (.10) of line 5. (See Instructions for where to include this amount on Form N-11, N-12, or N-15).....	<b>7</b>

**Part II Exclusion and Taxable Gain**

8 Selling price of home. (Do not include personal property items that you sold with your home.) .....	<b>8</b>
9 Expense of sale. (Include sales commissions, advertising, legal, etc.) .....	<b>9</b>
10 Amount realized. (Line 8 minus line 9.) .....	<b>10</b>
11 Adjusted basis of home sold. (See Instructions).....	<b>11</b>
12 <b>Gain on Sale.</b> (Line 10 minus line 11) If this amount is zero or less, stop here and attach this form to your return .....	<b>12</b>
13 Did you (or your spouse if filing a joint return) own and use the property as your main home for a total of at least 2 years of the 5-year period before the sale? (See Instructions for exceptions) .....	<input type="checkbox"/> Yes <input type="checkbox"/> No
14 Maximum exclusion. (See Instructions) .....	<b>14</b>
15 <b>Exclusion.</b> Enter the <b>smaller</b> of line 12 or line 14. If line 12 is the smaller amount, stop and attach this form to your return. Otherwise, go to line 16 .....	<b>15</b>
16 <b>Taxable gain.</b> (Line 12 minus line 15.) (See Instructions) .....	<b>16</b>

**General Instructions****Changes To Note**

**New rules for sales after May 6, 1997.** If you sold your main home after May 6, 1997, you may be able to exclude up to \$250,000 of the gain from the sale regardless of your age. If you are married filing a joint return, you may be able to exclude up to \$500,000. Any gain in excess of your exclusion is taxable. You may be able to elect to use the rules that apply to sales before May 7, 1997. For more details, see **Sales After May 6, 1997.**

**Basis adjustment for certain filers.** You must reduce your basis by any exclusion you are claiming for qualified adoption expenses for the cost of capital improvements to your home.

**Amendments to the Individual Housing Account (IHA) provisions for taxable years beginning after December 31, 1996.** If you established an IHA prior to January 1, 1990, but have not yet purchased a residence, you may elect to report the distribution from the IHA as gross income at the time the property is sold, rather than report the distribution as gross income over a ten-year period. Also, the penalty provision under section 235-5.5(f)(1), Hawaii Revised Statutes (HRS), is amended to provide that upon the sale of the residence, the 10% penalty will be included in your gross income.

**Who Must File.**—Use Form N-103 to report the sale of your main home, whether or not you had a gain from the sale. A loss is not deductible.

**Main Home.**—You file Form N-103 only for the sale of your main home. It can be a house, a houseboat, house trailer, cooperative apartment, condominium, etc. If you have more than one home, your main home is the one you live in most of the time.

**How To Obtain Tax Forms.**—To request tax forms by mail, you may call (808) 587-7572 or toll-free 1-800-222-7572. To request tax forms by fax, you may call (808) 587-7572 (callers on Oahu), or (808) 678-0522 from your fax machine (callers outside Oahu).

Tax forms are also available on the Internet. The Department of Taxation's site on the Internet is: <http://www.state.hi.us/tax/tax.html>

**Sales After May 6, 1997**

If you sold your main home after May 6, 1997, you may be able to:

- Exclude all or part of the gain from the sale (see **Exclusion and Taxable Gain**), or
- Elect to take the one-time exclusion for people age 55 or older or to postpone paying tax on all or part of the gain (see **Election To Use Rules That Apply To Sales Before May 7, 1997**), or
- Elect to pay tax on all the gain. To do so, complete all the lines in Part I, and lines 8 through 12 in Part II. Enter the gain on the Capital Gain/Loss Worksheet in the Instructions for Form N-12 or Form N-15. Form N-11 filers should include the gain on Form N-11, line 10 (if not already included on Form N-11, line 7).

**Exclusion and Taxable Gain (Part II)**

You can exclude up to \$250,000 (\$500,000 for certain married persons filing a joint return) of gain from the sale of your main home if both 1 and 2 below apply.

1. Neither you nor your spouse if filing a joint return are excluding gain from the sale of another home after May 6, 1997.
2. You or your spouse if filing a joint return owned and lived in the home for periods adding up to at least 2 years within the 5-year period ending

on the date of sale. But see **Exceptions To the Use Test** and **Exceptions To the Ownership and Use Tests.**

If both 1 and 2 do not apply, you may still be able to exclude all or part of the gain.

To take the exclusion, complete Part II. If the gain is less than the maximum exclusion entered on line 14, the difference cannot be excluded on a future sale of another main home. For more details on this exclusion, see federal Publication 523.

**Exceptions To the Use Test**

The following exceptions apply in determining the time you lived in the home sold.

**Temporary absences.** You can count short temporary absences such as for vacations or other seasonal absences as time lived in the home even if you rented out the home during the absences.

**Individuals with a disability.** If you meet this exception, you are treated as having lived in the home sold during any time that you lived in a facility such as a nursing home. The facility must be licensed by a state or political subdivision to care for persons with your condition. You meet this exception if, during the 5-year period ending on the date of sale:

- You became physically or mentally unable to care for yourself, and
- You owned and lived in your home as your main home for a total of at least 1 year.

**Divorced or separated taxpayers.** You may be able to count time your spouse or former spouse was allowed to live in the home. See federal Publication 523 for details.

## Exceptions To the Ownership and Use Tests

The following exceptions apply in determining the time you owned and lived in the home sold.

**Surviving spouse.** If your spouse died before the old home was sold and you have not remarried, you are treated as having owned and lived in the home sold during any time that your deceased spouse owned and lived in the home.

**Home transferred from spouse or former spouse.** You may be able to count time your spouse or former spouse owned and lived in the home. See federal Publication 523 for details.

**Home sold before 1997.** You may be able to count time you owned and lived in a previous home on which you postponed all or part of the gain, or that was destroyed or condemned. See federal Publication 523 for details.

## Election To Use Rules That Apply To Sales Before May 7, 1997

If you sold your home after May 6, 1997, you can elect to use the rules that apply to sales before May 7, 1997. You can make the election if **any** of the following apply:

- You sold your home **before** August 6, 1997.
- You sold your home **after** August 5, 1997, under a contract that was binding on that date.
- You sold your home **after** August 5, 1997, and you bought a new home on or before that date, or under a binding contract that was in effect on that date, and that purchase would qualify you to postpone gain on the sale.

To make the election for this sale, complete Part III and/or Part IV on the 1997 Form N-103 (Rev. 1998).

## Line-by-Line Instructions

**Line 1**—Enter the date of sale. If you received a federal Form 1099-S, Proceeds From Real Estate Transactions, the date should be shown in box 1. If you did not receive a federal Form 1099-S, the date of sale is the earlier of (a) the date the title transferred, or (b) the date the economic burdens and benefits of ownership shifted to the buyer.

**Line 2**—If part of your main home was rented out or used for business and in the year of sale you were not entitled to deduct expenses for the part that was rented or used for business, report the entire sale on Form N-103.

If you were entitled to deduct expenses in the year of sale for the part that was rented or used for business, treat the sale as two separate sales. Report on Hawaii Schedule D-1 the part of the sale that applies to the rental or business use. Report on Form N-103 only the part of the sale that represents your main home. You must allocate between Form N-103 and Hawaii Schedule D-1 the sales price, expenses of sale, and the adjusted basis of the property sold. Attach a statement showing the total selling price of the property and the method used to allocate the amounts between the two forms.

**Line 5**—Section 235-5.5(f), HRS, requires that the amount received as a distribution from an IHA which was used to purchase a residential property in Hawaii be included in the gross income of the individual.

Individuals who purchased residential property **before January 1, 1990**, with a distribution from an IHA must include in gross income in the year the property is sold, conveyed, or transferred an

amount equal to the amount of the distribution, unless an election was made to include one-tenth of the distribution in gross income each year for ten years starting in 1990.

Individuals who purchase residential property **after December 31, 1989**, or those who purchased property before January 1, 1990, and have made the election to do so, shall include in gross income one-tenth of the distribution each year for ten years. If such individual sells the property purchased with an IHA distribution before the end of the ten-year period, the remaining amount of the distribution not previously reported shall be included in gross income in the year of sale.

Individuals who purchase residential property **after December 31, 1996**, with a distribution from an IHA established prior to January 1, 1990, and who have made the election to do so, shall include in gross income in the year the property is sold, conveyed, or transferred an amount equal to the amount of the distribution.

Enter on line 5 the total amount of the IHA distribution.

**Line 6**—Enter on this line the amount of the IHA distribution not previously reported. Also include this amount on Form N-11, line 10, Form N-12, line 18, or Form N-15, line 19. Identify this amount as "IHA distribution reported on sale of property."

**Line 7**—Section 235-5.5(f), HRS, also requires that 10% (.10) of the IHA distribution used to purchase residential property be added to the individual's gross income or tax liability upon the sale, conveyance, or transfer of the property if the total IHA distribution was not previously reported. On line 7, enter 10% (.10) of line 5.

The following individuals shall add 10% of the IHA distribution to their **gross income**:

1. Individuals who purchased residential property before January 1, 1990, and who have not made the election to report the distribution as gross income over a ten-year period, and
2. Individuals who purchased residential property after December 31, 1996, with a distribution from an IHA established prior to January 1, 1990, and who made the election to report the distribution as gross income at the time the property is sold.

Include this amount on Form N-11, line 10, Form N-12, line 18, or Form N-15, line 19. Identify this amount as "10% penalty on IHA distribution."

The following individuals shall add 10% of the IHA distribution to their **tax liability**:

1. Individuals who purchased residential property after December 31, 1989, but before January 1, 1997,
2. Individuals who purchased residential property before January 1, 1990, and who have made the election to report the distribution as gross income over a ten-year period, and
3. Individuals who purchased residential property after December 31, 1996, with a distribution from an IHA established prior to January 1, 1990, and who have not made the election to report the distribution as gross income at the time the property is sold.

Include this amount on Form N-11, line 26, Form N-12, line 39, or Form N-15, line 40 and check the box indicating that you are including the separate tax from Form N-103.

**Line 8—Selling Price of Home.**—Enter the selling price of your home. Generally, this includes the amount of money you received, plus all notes, mortgages, or other debts that are part of the sale.

If you received a federal Form 1099-S, the total of these items should be shown in box 2. The selling price also includes the fair market value of any other property or services you received as part of the sale. If you received any other property or services as part of the sale, the value of these items is not shown on federal Form 1099-S. However, box 4 of that form should be checked.

Do not include amounts you received for personal property sold with your home. Personal property is property that is not a permanent part of the home. Examples are furniture, draperies, and lawn equipment.

**Line 9—Expense of Sale.**—Enter the total expenses you paid to sell your home. These expenses include commissions, advertising, attorney and legal fees, appraisal fees, title insurance, transfer and stamp taxes, and recording fees. Loan charges, such as points charged to the seller, are also selling expenses. Do not include fixing-up expenses on this line.

**Line 11—Adjusted Basis of Home Sold.**—See federal Publication 523 to figure the adjusted basis of the home you sold.

If you were a nonresident of Hawaii when you purchased your old Hawaii home, do not reduce the basis of the old home by any gain on the sale of a prior home which was located outside of Hawaii.

**Line 14—Maximum Exclusion.**—If you checked the "No" box on line 13, see **Reduced exclusion** below for the amount to enter.

If you checked the "Yes" box on line 13, enter \$250,000 (\$500,000 if married filing a joint return and both you and your spouse lived in the home for a total of at least 2 years within the 5-year period ending on the date of sale). But see **Reduced exclusion** below for the amount to enter if:

- You (or your spouse if filing a joint return) are excluding gain on the sale of another home after May 6, 1997, or
- You are married filing a joint return but you are not eligible to enter \$500,000 on line 14 because both you and your spouse did not live in the home for the required period.

**Reduced exclusion.** Use the **Reduced Exclusion Worksheet** in federal Publication 523 to figure the amount to enter on line 14 if either 1 or 2 below applies.

1. You (or your spouse if filing a joint return) owned the home on August 5, 1997, and sold it after that date.
2. Because of a change in health or place of employment, you (or your spouse if filing a joint return):
  - a. Did not own or live in the home for a total of at least 2 years within the 5-year period ending on the date of sale, or
  - b. Are excluding gain on the sale of another home after May 6, 1997.

If neither 1 nor 2 applies, do not use the **Reduced Exclusion Worksheet** in federal Publication 523. Instead, if you checked the "No" box on line 13, enter zero on line 14. If you checked the "Yes" box on line 13, enter \$250,000 on line 14.

**Line 16—Taxable gain.**—If you are reporting the sale on the installment method, see federal Publication 523. All others, enter this amount on the Capital Gain/Loss Worksheet in the Instructions for Form N-12 or Form N-15. Form N-11 filers should include the gain on Form N-11, line 10 (if not already included on Form N-11, line 7).